(b) if so, the rationale behind imposition of both the taxes on such in-house catering wherein food is prepared for company employees only and is not meant for outside sale;

(c) the steps being taken to rectify this anomaly, which has created confusion and rethinking in industrial houses providing food to their employees due to increasing tax burden; and

(d) if so, by when clear direction in this regard is likely to be issued?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Service tax is not chargeable, if the employer serves food to his employees without engaging the services of any outdoor caterer.

Service tax is charegable on outdoor catering service only if the employer engages the services of an outdoor caterer. In such cases, service tax is chargeable on gross amount (if the outdoor caterer also supplies food) and on 50% of the gross amount (if the outdoor caterer also supplies food) charged by the outdoor caterer from his client.

VAT is the tax to be paid on the value addition of the goods when sold. It is a state subject and the levy of VAT depends upon the State Laws of the respective State whereas service tax is leviable on taxable services provided for a consideration.

(c) and (d) In view of (a) and (b) above, does not arise.

Tax dues against ITC

†3453. SHRI RAJ MOHINDER SINGH MAJITHA:
SHRI RAVI SHANKAR PRASAD:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that an amount of Rs. 803 crores as tax was outstanding against tobacco trading company, ITC;

(b) if not, the details of amount which Government have sought from the said company;

(c) whether it is also a fact that as per the agreement between Government and said company only Rs. 350 crores have been paid; and

(d) if so, the details thereof.

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (d) By

†Original notice of the question was received in Hindi.

an order dated 29.12.1995 the Commissioner of Central Excise, New Delhi confirmed an amount of Rs. 683.5 crores on M/s. ITC Ltd. in a matter arising out of a show cause notice demanding duty of Rs. 803 crores issued to M/s. ITC Ltd. and its outside contract manufacturers during the year 1987. During the pendency of an appeal against the said order before the Tribunal, M/s. ITC Ltd. paid Rs. 350 crores as pre-deposit. The said demand was set aside by the Tribunal on 4.9.1998 and thereafter by the Hon'ble Supreme Court on 10.9.2004. The Court subsequently also dismissed the review petition filed by the Government. The Central Excise Laws (Amendment & Validation) Ordinance, 2005, came in to force on the 25th January 2005 to cure the infirmities pointed out by the Supreme Court in the relevant notifications and to validate the actions taken thereunder. During the currency of the Ordinance, M/s. ITC Ltd. expressed their willingness to forego their claim for refund of the deposit of Rs. 350 crores and requested the Government to waive the demand for the balance under the Ordinance or otherwise. After carefully considering the matter, and having regard to suggestions that the tax dispute should be settled on a reasonable basis, the Government accepted ITC Ltd.'s offer. The adjudicating authority by an order dated 5th April, 2005 accepted the settlement and adjudged the payment of Rs. 350 crores as central excise duty.

Growth rate of GDP

†3454. DR. MURLI MANOHAR JOSHI:
SHRI ABU ASIM AZMI:
DR. M.A.M. RAMASWAMY:
SHRI RAM JETHMALANI:

Will the Minister of FINANCE be pleased to state:

(a) whether Government are aware that the growth rate of Gross Domestic Product of the country has declined to 6.2 per cent in the third quarter of 2004-05 and if so, the extent of adverse effect of this decline on the growth rate of the whole year;

(b) the reasons for decline in pace of growth rate in the third quarter of the year 2004-05 and the measures being explored for its compensation;

(c) the percentage of growth rate of the whole year in the year 2004-05 and to what extent this rate is less in proportion to the target of Tenth Plan; and

†Original notice of the question was received in Hindi.